

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 2, 2007
POSITION: Oppose unless amended

BILL NUMBER: SB 516
AUTHOR: S. Aanestad

BILL SUMMARY: Shasta-Tehama County Watermaster District

This bill would establish the Shasta-Tehama County Watermaster District (new watermaster district).

FISCAL SUMMARY

The bill would authorize the new watermaster district to perform watermaster activities and specify that no reimbursement is required because the new watermaster district has the authority to levee fees sufficient to pay for the program. However, Shasta and/or Tehama County may also incur costs related to the formation of the district, such as election costs, which may create a reimbursable state mandate.

The Department of Water Resources (DWR) currently provides watermaster services in the proposed new watermaster district. The services provided for the districts within Shasta and Tehama counties are currently supported by user fees, but are also subsidized by the General Fund. The revised Governor's Budget includes \$1.4 million General Fund for the watermaster program. Approximately 7 percent of DWR's reported need for General Fund is attributable to these districts; therefore, this bill may result in some General Fund savings. In addition, the fees DWR collects in this area would decrease, so DWR's reimbursement authority could decrease as well.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the May 1, 2007 version are minor and do not alter our position.

COMMENTS

Finance recognizes that this bill has merit, however, we are opposed to the measure unless it is amended to add the attached language to eliminate the possibility that the bill will result in a reimbursable state mandate. The basis for our concern is that the fees which the proposed new water master district would be authorized to establish may not offset all the costs of the mandate. This could occur because the new watermaster district could levee fees to cover its own costs, but not cover the costs that Shasta and/or Tehama County may incur as a result of this bill.

Under SB 775 (Chapter 246, Statutes of 2006), water right holders in a watermaster service area may request the court to appoint another public agency other than DWR to serve as watermaster. This bill would establish the Shasta-Tehama County Watermaster District, which could be appointed instead of DWR to provide watermaster services in five current watermaster service areas: Burney Creek, Hat Creek, North Fork Cottonwood Creek, North Cow Creek, and Digger Creek.

(Continued)

Analyst/Principal (0631) M. Almy	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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AUTHOR

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SB 516

COMMENTS (continued)

The Watermaster Services Program (Program) was established in 1924 to ensure that water is allocated by an impartial third party according to legal water rights established by court orders. A number of streams in Northern California, and several groundwater basins in Southern California, have water rights established by court decrees. DWR has been legally responsible for ensuring that the surface water diversions and groundwater pumping comply with court orders.

Prior to 2004, the cost of the Program was funded 50 percent from the General Fund and 50 percent by water right holders. However, Program billing rates had not increased despite increased costs to administer the Program. As a result, many of the water right holders were only paying 25 percent or less of the actual costs of the Program, with DWR absorbing the difference. Chapter 230, Statutes of 2004 (SB 1170) changed the funding for the Program and provided that it should be 100 percent supported from fees on the water right holders that benefit from the services. However, fees have not increased to entirely cover the costs of the Program. DWR reports that although some districts are 100 percent supported by fees, on average DWR only collects fees sufficient to cover 42 percent of its costs of the Program in DWR's Northern District. The districts covered by this bill provide between 33 percent and 100 percent of DWR's costs to perform watermaster services in the districts.

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Code
3884/Mandates-Res	SO	No	-----	See Fiscal Summary	-----				0001
3860/Water Res	SO	No	-----	See Fiscal Summary	-----				0001
3860/Water Res	SO	No	-----	See Fiscal Summary	-----				0995
<u>Fund Code</u>	<u>Title</u>								
0001	General Fund								
0995	Reimbursements								

Mandate Sunset Language

SEC___. (a) In the event of a determination by Commission on State Mandates, or a final judicial determination by a California court of appellate jurisdiction that any provision of this act is a state-mandated local program requiring state reimbursement to a local agency or school district within the meaning of Section 6 of Article XIII B of the California Constitution, the provisions of this act shall be repealed 90 days following the date on which the Commission on State Mandates adopts a statement of decision finding a state mandate, or 90 days following the date on which the first such judicial determination become final.

(b) This act shall not be repealed pursuant to subdivision (a) if the Director of Finance files a written Notice of Intent to Appeal with the Commission on State Mandates within 90 days of the adoption of a statement of decision finding that any of the provisions of this act is a state-mandated local program requiring reimbursement within the meaning of Section 6 of Article XIII B of the California Constitution. The Notice of Intent to Appeal specified by this subdivision shall consist of a written notice setting forth the intention of the Director of Finance to seek judicial review of the decision of the Commission on State Mandates.